Swiss Re

Press release

Swiss Re reports a net income of USD 157 million for the first half of 2022, with Q2 profit of USD 405 million

Ad hoc announcement pursuant to Article 53 LR

- **Property & Casualty Reinsurance (P&C Re) H1 2022 net income of USD 316 million; combined ratio of 98.5% and normalised[1] combined ratio of 95.8%**
- **Successful P&C Re July 2022 renewals; price increase of 12%**
- **Life & Health Reinsurance (L&H Re) H1 2022 net income of USD 2 million; strong Q2 net income of USD 232 million**
- **Corporate Solutions H1 2022 net income of USD 220 million; combined ratio of 93.2%**
- **Return on investments (ROI) of 1.2% in H1 2022, reflecting negative mark-to-market impacts on listed equity investments**
- **Very strong Group SST ratio above the target range of 200–250%**

Zurich, 29 July 2022 – Swiss Re returned to profitability in the second quarter of 2022, with a net income of USD 405 million. After the first quarter was marked by negative impacts from the financial market downturn, the COVID-19 pandemic and reserving for the war in Ukraine, this resulted in a net income of USD 157 million for the first half of 2022.

Swiss Re's Group Chief Executive Officer Christian Mumenthaler said: "After a challenging start to the year, Swiss Re returned to profitability in the second quarter. This was supported by strong results in Life & Health Reinsurance and Corporate Solutions, as well as robust underwriting performance in Property & Casualty Reinsurance."

Swiss Re's Group Chief Financial Officer John Dacey said: "Rising interest rates are clearly positive for the re/insurance sector, and we are starting to see the benefits come through in our recurring income yield. With respect to inflationary trends, we remain vigilant and are taking appropriate actions, including increasing the pricing of new business and the related initial loss expectations."

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Group results significantly improve in the second quarter, despite ongoing challenges in financial markets
Swiss Re reported a net income of USD 157 million and an ROE of 1.6% for the first half of 2022, compared with a net income of USD 1.0 billion and an ROE of 8.2% for the same period in 2021. The decline was driven mainly by significantly lower investment results as well as first-quarter reserves for the Ukraine war.

After establishing reserves of USD 283 million for potential impacts from the war in Ukraine in the first quarter, Swiss Re did not increase them in the second quarter.

Net premiums earned and fee income for the Group increased 1.9% to USD 21.2 billion in the first six months of 2022 from USD 20.8 billion in the first half of 2021. Growth was negatively affected by adverse foreign exchange developments, while at stable foreign exchange rates, net premiums earned would have increased by 5.1%.

Swiss Re's recurring income yield increased to 2.3% in the first half of 2022 from 2.2% for the full year 2021, benefiting from targeted reinvestments in the rising interest rate environment. The fixed income reinvestment yield increased markedly to 3.1% in the second quarter of 2022 from 0.9% for the full year 2021. The return on investments of 1.2% in the first half of 2022 was impacted by listed equity mark-to-market losses (net of hedges) of approximately USD 0.4 billion as well as modest impairments of USD 50 million including Russia-related exposures.

Swiss Re's capital position remained very strong, with the Group Swiss Solvency Test (SST) ratio above the 200–250% target range.

P&C Re's technical underwriting performance remains robust
P&C Re reported a net income of USD 316 million for the first half of 2022, compared with USD 1.3 billion[2] in the same period in 2021. The result reflects the robust technical underwriting performance of the business, offset by materially lower investment results and first-quarter reserves in relation to the Ukraine war of USD 154 million.

P&C Re absorbed large natural catastrophe claims of USD 938 million in the period, mainly relating to flooding in Australia and South Africa, February storms in Europe, and a series of hailstorms in France in June. Total claims came in USD 0.27 billion above expectations for large natural catastrophe losses in the first half of the year. Importantly, P&C Re has USD 1.2 billion of the USD 1.9 billion full-year natural catastrophe budget allocated for the remainder of 2022.

Net premiums earned increased slightly to USD 10.6 billion. The increase was largely due to higher volumes and price increases, offset by adverse foreign exchange developments. At stable foreign exchange rates, net premiums earned would have increased by 3.6%.

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The combined ratio was 98.5% for the first half of 2022. On a normalised basis, the combined ratio was 95.8%, which includes 1.5 percentage points for the reserves relating to the war in Ukraine. For the second half of the year, the normalised combined ratio is expected to be lower, as the Group earns the majority of its natural catastrophe premiums in the third and fourth quarters. P&C Re remains focused on achieving the normalised combined ratio target of less than 94% for the full year.

Successful July P&C Re renewals
P&C Re renewed contracts with USD 4.8 billion in treaty premium volume on 1 July 2022.The business achieved a price increase of 12% in this renewal round. This fully offset higher loss assumptions, which reflect a clear view on inflation and other changes in exposure. Since the start of the year, P&C Re has achieved treaty premium volume growth of 3% and a price increase of 6%, focusing on profitable growth in natural catastrophe and specialty lines.

L&H Re returns to profitability in the second quarter
L&H Re reported a net income of USD 2 million for the first half of 2022, compared with a net loss of USD 129 million[2] for the first half of 2021. As deaths from COVID-19 declined sharply, L&H Re returned to a strong net income of USD 232 million in the second quarter, underscoring the earnings power of its franchise.

Over the half-year period, total COVID-19 claims amounted to USD 540 million, with the vast majority booked in the first quarter.

Net premiums earned and fee income decreased slightly to USD 7.5 billion in the first half from USD 7.6 billion in the prior-year period, primarily driven by adverse foreign exchange developments. At stable foreign exchange rates, net premiums earned would have increased by 2.8%.

L&H Re continues to target a net income of approximately USD 300 million for 2022.

Corporate Solutions continues to deliver strong results
Corporate Solutions reported a net income of USD 220 million in the first half of 2022, compared with USD 262 million in the prior-year period. This result was achieved in spite of reserves related to the Ukraine war in the first quarter, less favourable prior-year development compared with the first half of 2021 and lower investment income.

Total large losses for the first half of 2022 were of a similar magnitude to the prior-year period. Large man-made losses of USD 165 million were higher than in the prior-year period, reflecting the first-quarter reserves for the war in Ukraine of USD 129 million, while large natural catastrophe losses were lower, amounting to USD 102 million for the period.

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Net premiums earned increased by 12.8% to USD 2.9 billion, driven by the continuous earn-through of previously realised rate increases and new business growth in selected focus portfolios. At stable foreign exchange rates, net premiums earned would have increased by 17.2%.

Corporate Solutions' combined ratio of 93.2% for the first half of 2022 is well on track to reach the full-year target of less than 95%.

The Business Unit successfully closed the sale of its life insurance subsidiary Elips Life AG to Swiss Life International on 1 July 2022. Excluding the divested business, the Business Unit's pro forma combined ratio[3] was 90.9% in the first half of 2022.

iptiQ's growth momentum continues
iptiQ's gross premiums written for the core business increased 37% to USD 455 million in the first half of 2022 from USD 333 million in the prior-year period. iptiQ had over 2 million policies in force at the end of June 2022.

Outlook
Swiss Re's Group Chief Executive Officer Christian Mumenthaler said: "Thanks to the actions we have taken over the past years, all our businesses are well positioned and focused on achieving their segmental targets for the year. The achievement of the Group targets is highly dependent on the performance of financial markets and large-loss experience in the second half of 2022. Our very strong capital position and excellent client franchise enable us to capture further profitable growth opportunities in a supportive pricing environment."

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Details of H1 2022 performance

USD millions, unless otherwise stated	H1 2021[2]	H1 2022
Consolidated Group (total)		
Net premiums earned and fee income	20 800	21 204
Net income/loss	1 046	157
Return on equity (%, annualised)	8.2%	1.6%
Return on investments (%, annualised)	3.2%	1.2%
Recurring income yield (%, annualised)	2.3%	2.3%

	31.12.21	30.06.22
Shareholders' equity	23 568	14 807
Book value per share (USD)	81.56	51.24

	H1 2021	H1 2022
P&C Reinsurance		
Net premiums earned	10 453	10 550
Net income/loss	1 276	316
Combined ratio (%)	94.4%	98.5%
L&H Reinsurance		
Net premiums earned and fee income	7 574	7 529
Net income/loss	−129	2
Recurring income yield (%, annualised)	2.9%	3.0%
Corporate Solutions		
Net premiums earned	2 555	2 883
Net income/loss	262	220
Combined ratio (%)	92.7%	93.2%

[1] Normalised combined ratio assumes average large natural catastrophe loss burden and excludes prior-year reserve development.

[2] Comparative information for 2021 has been revised to reflect the reallocation of part of Principal Investments, Admin Re US as well as certain cross-segmental loans from Group items to Reinsurance.

[3] Pro forma Corporate Solutions combined ratio of 90.9% excludes all Elips Life AG business sold to Swiss Life International for the first half of 2022 and includes the medical business of Elips Versicherungen AG in Ireland, which remained with Swiss Re.

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Media conference call
Swiss Re will hold a virtual media conference this morning at 10:30 CEST. You can join the media conference via your computer or Teams mobile app here: Microsoft Teams Meeting. Alternatively, you can dial in (audio only) using the below numbers and conference ID:

Conference ID: 487 692 527#

Switzerland:	+41 (0) 43 210 5761
United Kingdom:	+44 (0) 20 3443 6271
Germany:	+49 (0)69 3650 5756 8
France:	+33 (0)1 7037 8776
Hong Kong:	+852 3704 2823

For additional local dial-in numbers, please click here.

Investor and analyst call
Swiss Re will hold an investors' and analysts' call at 14:00 CEST, which will focus exclusively on Q&A. You are kindly requested to dial into the conference call 10–15 minutes prior to the start using the following numbers:

Switzerland:	+41 (0) 58 310 5000
United Kingdom:	+44 (0) 207 107 0613
United States:	+1 (1) 631 570 5613
Germany:	+49 (0) 69 5050 0082
France:	+33 (0) 1 7091 8706

About Swiss Re
The Swiss Re Group is one of the world's leading providers of reinsurance, insurance and other forms of insurance-based risk transfer, working to make the world more resilient. It anticipates and manages risk – from natural catastrophes to climate change, from ageing populations to cyber crime. The aim of the Swiss Re Group is to enable society to thrive and progress, creating new opportunities and solutions for its clients. Headquartered in Zurich, Switzerland, where it was founded in 1863, the Swiss Re Group operates through a network of around 80 offices globally.

Cautionary note on forward-looking statements
Certain statements and illustrations contained herein are forward-looking. These statements (including as to plans, objectives, targets, and trends) and illustrations provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact.

Forward-looking statements typically are identified by words or phrases such as "anticipate", "target", "aim", "assume", "believe", "continue", "estimate", "expect", "foresee", "intend" and similar expressions, or by future or conditional verbs such as "will", "may", "should", "would" and "could". These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Swiss Re Group's (the "Group") actual results of operations, financial condition, solvency ratios, capital or liquidity positions or prospects to be materially different from any future results of operations, financial condition, solvency ratios, capital or liquidity positions or prospects expressed or implied by such statements or cause the Group to not achieve its published targets. Such factors include, among others:

- the frequency, severity and development of insured claim events, particularly natural catastrophes, man-made disasters, pandemics, including the coronavirus ("COVID-19"), acts of terrorism or acts of war, including the ongoing war in Ukraine, and any associated governmental and other measures such as sanctions, expropriations and seizures of assets as well as the economic consequences of the foregoing;
- mortality, morbidity and longevity experience;
- the cyclicality of the reinsurance sector;
- central bank intervention in the financial markets, trade wars or other protectionist measures relating to international trade arrangements, adverse geopolitical events, domestic political upheavals or other developments that adversely impact global economic conditions;
- macro-economic events or developments including increased volatility of, and/or disruption in, global capital, credit, foreign exchange and other markets and their

impact on the respective prices, interest and exchange rates and other benchmarks of such markets, and historically high inflation rates;

- the Group's ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of the Group's financial strength or otherwise;
- the Group's inability to realise amounts on sales of securities on the Group's balance sheet equivalent to their values recorded for accounting purposes;
- the Group's inability to generate sufficient investment income from its investment portfolio, including as a result of fluctuations in the equity and fixed income markets, the composition of the investment portfolio or otherwise;
- changes in legislation and regulation, including changes related to environment, social and governance ("ESG") and sustainability matters, or the interpretations thereof by regulators and courts, affecting the Group or its ceding companies, including as a result of comprehensive reform or shifts away from multilateral approaches to regulation of global operations;
- the Group's ability to fully achieve one or more of its ESG or sustainability goals or to fully comply with applicable ESG or voluntary sustainability standards;
- matters negatively affecting the reputation of the Group, its board of directors or its management, including matters relating to ESG or sustainability, such as allegations of greenwashing, lack of diversity and similar allegations;
- the lowering or loss of one of the financial strength or other ratings of one or more companies in the Group, and developments adversely affecting its ability to achieve improved ratings;
- uncertainties in estimating reserves, including differences between actual claims experience and underwriting and reserving assumptions;
- policy renewal and lapse rates;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes, pandemics, including COVID-19, and certain large man-made losses, as well as claims resulting from the ongoing war in Ukraine and social inflation litigation, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
- legal actions or regulatory investigations or actions, including in respect of industry requirements or business conduct rules of general applicability, the intensity and frequency of which may also increase as a result of social inflation;
- the outcome of tax audits, the ability to realise tax loss carryforwards and the ability to realise deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings, and the overall impact of changes in tax regimes on the Group's business model;
- changes in accounting estimates or assumptions that affect reported amounts of assets, liabilities, revenues or expenses, including contingent assets and liabilities;
- changes in accounting standards, practices or policies, including the contemplated adoption of IFRS;
- strengthening or weakening of foreign currencies;
- reforms of, or other potential changes to, benchmark reference rates;
- failure of the Group's hedging arrangements to be effective;
- significant investments, acquisitions or dispositions, and any delays, unforeseen liabilities or other costs, lower-than-expected benefits, impairments, ratings action or other issues experienced in connection with any such transactions;
- extraordinary events affecting the Group's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- changing levels of competition;
- the effects of business disruption due to terrorist attacks, cyberattacks, natural catastrophes, public health emergencies, hostilities or other events;
- limitations on the ability of the Group's subsidiaries to pay dividends or make other distributions; and
- operational factors, including the efficacy of risk management and other internal procedures in anticipating and managing the foregoing risks.

These factors are not exhaustive. The Group operates in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on forward-looking statements. Swiss Re undertakes no obligation to publicly revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

This communication is not intended to be a recommendation to buy, sell or hold securities and does not constitute an offer for the sale of, or the solicitation of an offer to buy, securities in any jurisdiction, including the United States. Any such offer will only be made by means of a prospectus or offering memorandum, and in compliance with applicable securities laws.